

**STATE CONTROLLER'S OFFICE
PERSONNEL/PAYROLL REVIEW COMMITTEE NOTES
March 2004**

DATE: May 4, 2004

TO: All Civil Service/Exempt Departments

FROM: State Controller's Office
Don Ward, Operations Manager
Personnel/Payroll Operations
(916) 322-8805

RE: PERSONNEL/PAYROLL REVIEW COMMITTEE NOTES

This recaps the March 11, 2004 Personnel/Payroll Committee (PPRC) Meeting and provides information for the May 13, 2004 meeting.

We would like to thank those department representatives that participated in the March meeting for their time and effort. There were 44 representatives from 31 departments that participated in this meeting.

Personnel/Payroll Review Committee
March 11, 2004 Meeting Notes

The meeting was called to order at 1:30 by Don Ward

Departments represented:

Department of Aging, Alcohol and Drug Program, Board of Equalization, California Energy Commission, California Highway Patrol, California Integrated Waste Management, CalPERS, California State Library, Consumer Affairs, Developmental Services, Environmental Health Hazard Assessment, Finance, Financial Institutions, Food & Agriculture, Forestry and Fire Protection, Franchise Tax Board, General Services, Housing & Community Development, Insurance, Lottery, Mental Health, Motor Vehicles, Parks and Recreation, Personnel Administration, State Controllers Office, Toxic Substances Control, Transportation, Treasurer's Office, Unemployment Insurance Appeals Board, and Water Resources.

Old Business:

None

New Business:

Agenda Items
Distribute Handout Materials
Approve Prior Meeting Notes
Guest Speakers
SCO Update
Department Issues/Concerns
Confirm Next Meeting Agenda, Time and Place

Discussion:

Approved January 2004 meeting notes.

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Guest Speaker: Dave Edwards, Manager CLAS Unit provided feed back on the survey of departments regarding what additional Statewide Training classes they would like to see and the value of having Universal Pay access (i.e., seeing all of an employee's pay history regardless of what departments they have been employed by). Only 10 departments responded with the following:

- Military Leave (8)
- Premium Pays (4)
- Accounts Receivable (4)
- Master Payroll Certification (2)
- Family Medical Leave Act (2)
- Non-Industrial Disability Insurance - expand on the Annual Leave and NDI, more examples (2)
- Intermittent: PI's, ATW, TAU, Retired Annuitants - calculations used for MSA's, range changes, prob period requirements and documentation and how to extend length of service, retirement, benefit eligibility, hour limitations, appointment restrictions, applicable Government Codes, restrictions, department & employee liabilities (e.g., if exceed hour limitations). (2)
- Account Codes (1)
- Basic Time Keeping (1)
- Current Personal Leave Program Process (1)
- Death of an Employee (documents, notification) (1)
- Deferring Lump Sum (1)
- Fundamentals of Payroll: more in-depth on STD. 683 and 966 forms (1)
- Government Codes (1)
- How To Improve Production: Although tasks differ between departments, many are common. Would like a class dealing with how to improve performance with considerations to deadlines and various functions departments perform. SCO could tap into agencies with low error rates and high caseloads to offer how to work smarter, not harder. (1)
- Lump Sum Separation (1)
- Non-Industrial Disability Calculator (1)
- Overview of Payroll Procedures Manual (1)
- Payment History (HIST) Screen (1)
- How pay adjustments are made
- How SCO makes these adjustments
- Special Pay: holiday overtime, out-of-class, shift differential, call back time and relationship to overtime calculations in same work week, red circle rates, HAM's, physical fitness pay, recruitment & retention pay. (1)

Universal Pay Access

- No need for Universal Pay Access, less than 6 times per year
- Want Universal Pay Access
- Want Universal Pay Access, but don't want to pay for it.

Discussions are occurring between Personnel/Payroll Operations and the Statewide Training Unit to determine what training topics would be best to address. This may include on-line E-learning training modules being developed. Also, given the minimal input received for Universal Pay access, this topic has been given a lower priority to pursue.

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For the Spring 2004 training semester, Statewide Training had 938 requests for training and 726 (77%) were satisfied. Of the 49 training classes to be conducted, 21 are outside of Sacramento.

Statewide Training plans to develop their own web site by the latter part of 2004.

For the Spring 2004 training semester, CLAS had 39 requests, all of which have been satisfied.

CLAS cost will increase from \$6.00 per employee per year to \$6.50 effective October 1, 2004. The increase is tied to the end of the PLP on September 30, 2004. If by chance the PLP does not end, CLAS costs will not increase. The increase is only the second increase in the 11 years of CLAS operation and is tied to higher CLAS operating costs given the October 1, 2004 salary increase and higher staff benefits.

Guest Speaker: Alan Waite, from the 21st Century Project team, gave an overview of the Business Case Benefits Study.

The Controllers Office, in partnership with the Department of Personnel Administration and the consulting firm of KPMG LLP, will map five key Human Resources/Payroll business processes, documenting processing times and related costs, and determine the cost savings and improved efficiencies that a new HRMS/Payroll system can offer the State. The business processes to be documented in this study are:

- *Time and Attendance;
- *Position Management;
- *Employee Self-service (Earnings Statement Distribution, Employee Benefits, Direct Deposit, W-4 and duplicate W-2 processing);
- *Producing, distributing, and reconciling a payment; and
- *Handling overpayments.

Participating departments will work with the project team to complete the following tasks:

- 1) Document touch points and develop "as is" work flow charts for one or more of the five business processes mentioned above;
- 2) Create an activity dictionary that defines key elements of each process;
- 3) Validate/verify process maps developed for each agency,

Once the processes are mapped, costs for performing each activity will be determined, and cost savings projected by comparing today's processes with what an industry standard Commercial Off-the-Shelf HRMS/Payroll software would provide.

The study began in January 2004 and the report will be ready by November 2004.

SCO Update:

We sent 553 W-2 related letters to employees that had either no reportable wages or negative reportable wages for tax year 2003. The letters resulted from the repayment of agency collection A/R's. Specifically, whenever an employee repays an amount equal to their wages paid for the year or more money than they were paid for the year, a W-2 will not be issued. Of this total, 502 employees had no reportable wages in 2003 and 51 had reportable wages, but paid back more than their reportable wages for 2003. We also

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received 79 letters returned to us as 'undeliverable' and we subsequently forwarded the letters to the last employing agency.

As of the end of February, we've received and processed 2,211 duplicate W-2s requests compared to 1,716 requests processed last year at this time.

Also, as of the end of February, we released 9,157 corrected W-2s compared to 10,149 that were released last year at this time.

Whenever you receive W-2s returned as undeliverable from the U.S. Post Office, please forward them to your employees as soon as possible. Many employees are requesting duplicate W-2's prior to receiving the original forwarded to them.

Notice of A/R's: A payroll letter was issued instructing you to block out the SSN on the AR half slip if your department mails these to your employees via the postal system. This must be done in accordance with SB 25.

Alpha listing on View Direct: A letter was sent out March 2, 2004 with the last paper copy of the alpha listing. Since the majority wanted to keep the SSN on the report, the SSN is displayed. However, it's my understanding that you can reformat the report to remove the SSN. Also, if you don't need the alpha list on view direct, please let us know so we can reduce our storage costs.

Please contact Lisa Lobertini at (916) 327-3923 for assistance with the alpha listing.

Work Number for Everyone: Due to PLP, the lower salary rate is being reported for employment verification purposes.

Direct Deposit – We sent out a global message during the month of March 2004 indicating the 2004-2005 posting dates are now available on the SCO web site. Please provide your staff with this information if they don't have access to the Internet. Also, we are planning to include a section on the SCO web site that includes the most common Direct Deposit Questions and Answers.

SDI - DPA and CSEA have reached an agreement on SDI. The agreement requires SCO to implement SDI 18 months after funding is received. It is anticipated that the project will start in July 2004, pending a signed budget.

Telephone Liaison voice mail – please leave complete information when leaving messages. Specifically, name of employee, SSN, agency, pay period or effective date, your name, telephone number, etc. This will allow us to research the matter prior to returning your calls.

Faxing garnishment documents should be done on a flow basis PLEASE!! Don't wait until master or the day before.

We shared several sample 674's received from departments that show too much information being completed. Please note - you only need to provide information on the payment type that is changing. Don't show items that do not require adjustments.

Lump sum with deferral to Savings Plus and/or deferral of some lump sum pay to a subsequent year require special handling to ensure separation pay and deductions are issued appropriately. Please refer to Personnel Letter 02-025 instructions prior to requesting these payments. It is extremely important to understand that all pay issued in one tax year, no matter what the pay periods are, will be reflected on that year's W-2. If

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your employees want to defer some portion of their lump sum pay (after the November pay period of the current year) to the subsequent year, you must not send your document to SCO before January 1 of the subsequent year. Also, these special handling requests by your employees do not make you out of compliance with AB2410. When an employee requests special handling of their lump sum, you have until mid January of the following year to get the document or document corrections to SCO to issue the lump sum pay. To assist you, we plan to send a payroll letter in September or October 2004 that will identify all the different scenarios you may see with separating/retiring employees and include the appropriate action to take.

Procedure Change: SCO sends departments a Notice of Pending Account Receivable (PR 250-M) when the date of separation is prior to the end of the pay period and a full master payment has been issued. In these cases, the employees are due less than a full month of regular pay and typically have some type of lump sum. The payroll system will issue all lump sum that extends to future pay periods and then waits for certification of attendance for the current month. Once the attendance is certified, an overpayment message for the regular pay is generated. If the payment is returned and reissued, the system will generate the remainder of the lump sum pay. Since most cases are not true overpayments and can be resolved by transferring regular pay to lump sum pay, SCO is implementing a procedure change. Specifically, it was proposed by SCO and agreed to by the PPRC that if the lump sum pay is outstanding due to a full master, SCO can automatically transfer the overpayment of regular time to the outstanding lump sum payment type. For example, if the employee received a full 22 days and should have only received 20 days of regular pay and there are still two days of lump sum outstanding, SCO will transfer 2 days of regular to 2 days of lump sum. As such, SCO does not need to notify the departments. The departments can use their HIST system to see that the transfers have occurred and no additional action is necessary. Also, SCO will adjust the retirement on the time that is transferred to lump sum, as lump sum is not subject to retirement withholding.

Questions/Answers

Question: Can you create for departments a list of employees that receive tax exemption letters each January?

Answer: We will pass this request on to PPSD's Tax Support Section.

Question: Is Voluntary PLP in the contracts or in a side letter?

Answer: The union contracts and side letters.

Closing:

The PPRC encourages attendance by department representatives interested in improving the efficiency of personnel/payroll administration. However, if you are unable to attend these meetings and you have an issue or question you would like the committee to address, please contact Don Ward with pertinent information.

Next Meeting:

The next Meeting is Thursday, May 13, 2004 from 1:30 to 3:30 at:

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State Controller's Office
300 Capitol Mall, 6th Floor, Room 635
Sacramento, CA 95814

Listed below are the PPRC meeting dates for the remainder of the 2004 calendar year.
All meetings are from 1:30 to 3:30 at the above location.

May 13, 2004
July 8, 2004
September 9, 2004
November 18, 2004

Should you have any questions regarding the PPRC meeting or have additional information to provide, please contact Don Ward at (916) 322-8805 or via e-mail at dward@sco.ca.gov.